

Lifestyle Communities Ltd
ACN 078 675 153

CORPORATE GOVERNANCE

The Board of Directors of Lifestyle Communities Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Lifestyle Communities Ltd's corporate governance principles and policies are structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight.
2. Structure the board to add value.
3. Promote ethical and responsible decision making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Remunerate fairly and responsibly.

The Board continued to operate under the following policies during the year.

- Board Charter
- Board Code of Conduct
- Audit Committee Charter
- Remuneration & Nomination Committee Charter
- Dealing in Securities; Directors & Officers Policy
- Dealing in Securities; Staff Policy
- Disclosure Policy

1. Lay Solid Foundations for Management and Oversight

The Board's responsibilities include development of strategy, oversight of management, risk management and compliance systems, and monitoring performance. The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised below.

The Board's activities are governed by the Board Charter and the Board Code of Conduct. All Board members are entitled to obtain independent professional advice after advising the other Directors of the intention to do so. David Paranthoienne and Tim Poole are independent Directors. Messieurs Perlov, Kelly & Carter are all significant shareholders, they are executive directors and involved in the day-to-day operations of the Company.



It is the responsibility of management to administer the company in accordance with the directions and policies of the Board and within the powers delegated by the Board.

The responsibilities of the Board are set out in the Board Charter which can be viewed on the company's website.

Appointment and induction of senior executives is carried out in a manner appropriate to the size of the company. Performance is monitored and appraised on a continuous basis.

2. Structure the Board to Add Value

The Board comprises a Non-executive Chairman and three executive directors and a non-executive director whose qualifications and experience are set out in the Directors Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. Of the two non-executive directors, Mr Tim Poole is considered to be independent.

Whilst not all recommendations are complied with because of the Company's size and cost considerations, the Board has an appropriate level of industry experience and business skills.

The company has no formal performance evaluation procedure for the Board. The informal, ongoing self evaluation by the Board is appropriate to its size.

The functions of a nomination committee are carried out by the Remuneration and Nomination Committee the Charter for which is available on the company's website.

Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as directors.

Directors acknowledge the need to act in good faith in the interests of all shareholders.

3. Promote Ethical and Responsible Decision-making

Directors, management and staff are expected to act ethically and responsibly at all times. The company's Code of Conduct may be viewed on the company's website. All Board members are qualified professionals within their respective industries and accordingly conduct themselves in a professional and ethical manner in both their normal commercial activities and the discharge of their responsibilities as directors.

Under the Company's Securities Trading Policy, an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.



Directors and officers of Lifestyle Communities Ltd should not deal in securities of Lifestyle communities Ltd or communicate information concerning Lifestyle Communities Ltd to a person who may deal in securities unless:

- They have satisfied themselves that they are not in possession of any price sensitive information that is not generally available to the public;
- That they have advised the Chairman of their intention to do so;
- The Chairman has made appropriate enquiries of other directors and officers;
- The Chairman has indicated that there is no impediment to them doing so.

The Chairman will generally allow directors and officers to deal in securities of Lifestyle Communities Ltd as a matter of course (unless there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception) in the following periods

- Within the period of one month after the release of annual and half yearly results
- Within the period of one month after the issue of a prospectus

They should also wait at least 2 business days after the relevant release so that the market has had time to absorb the information.

The Company's Trading Policy, which is in accordance with the ASX Corporate Governance Principles, may be viewed on the Company's website.

The Board recognises the legitimate interests of shareholders, employees and other stakeholders.

Lifestyle Communities Ltd will work closely with relevant community groups and people to identify significant cultural and heritage sites and any impact the Company's activities may have on them.

Lifestyle Communities Ltd is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safe conduct are the responsibility of Lifestyle Communities Ltd, its employees, its alliance partners and suppliers of goods and services.

Specifically, Lifestyle Communities Ltd will:

- comply with the intent and provision of all applicable laws, regulations and standards;
- minimise environmental impact;
- ensure that employees, partners, suppliers and the public are made fully aware of Lifestyle Communities Ltd's responsibility for the effect of its operations on the environment;

4. Safeguard Integrity in Financial Reporting

Recommendation 4.1 requires the MD and CFO to sign a certificate regarding the financial reports giving a true and fair view and are in accordance with accounting standards. The MD Mr. James Kelly and the



acting Chief Financial Officer Mrs. Jenny Romeo have certified that the financial reports give a true and fair view and are in accordance with accounting standards.

Due to the size of the Board, there are currently only two members of the Audit committee: D Paranthoiene and T. Poole. The committee has met on two occasions during the year with the following attendances:

D Paranthoiene	2 out of 2
T Poole	2 out of 2

The Audit Committee Charter directs the role of the Committee, and the Committee oversees the risk management and audit processes of the Company. The Committee also regularly reviews the work of the external auditors to determine whether a change in Auditors would be in the best interests of the Company. In doing so, it assesses the firm's policy of partner rotation, its independence, and ensures that no extra assignments are allotted to the auditors that would infringe on their independence. Auditors are officially invited to attend the Annual General Meeting by the Audit Committee.

5. Make Timely and Balanced Disclosure

The Board aims to ensure that the shareholders are fully informed of all material developments on a timely basis. The Board aims to ensure that shareholders are in a position to assess the Board performance and Company results. Information is communicated in a clear and balanced way to shareholders through:

- Continuous disclosure to the ASX. Lifestyle Communities is committed to maintaining full and proper disclosure to its shareholders and the market in general. This is addressed in the Disclosure Policy adopted by the Board and through the appointment of a disclosure officer who has accountability for ensuring that timely and appropriate disclosure is continuously addressed.
- Meetings. The Company holds a general meeting each year and copies of the Managing Director's address are placed on the ASX and Lifestyle Communities website for those unable to attend. The external auditor attends the meeting each year and is available to answer questions from the shareholders regarding the audit process and the audit report.
- Reporting. In addition to any ongoing disclosure updates, Lifestyle Communities formally reports to the shareholders and the market twice each year. These reports contain both financial results and an update on key strategic and operational issues.
- www.lifestylecommunities.com.au. The Lifestyle Communities website provides comprehensive information regarding the Company's operations. It also includes an investor section with current reports. Historical reports are available upon request.

6. Respect the Rights of Shareholders



The Board aims to ensure in accordance with the Recommendation 6.1 that all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual, and half year, reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

The company maintains a website on which is placed company announcements, the Annual Report and company policies.

The auditor is invited to the Annual General Meeting for the purpose of answering shareholders' questions.

7. Recognise and Manage Risk

The Board has responsibility for managing risk and internal control and acknowledges that risk management is a core principle of sound Corporate Governance. The financial viability, reputation and future of the company are materially dependent on the manner in which risk is managed.

The Board's strategy covers the areas of Financial Risk, Operational Risk, Insurance and Internal Control. The company has not appointed a Risk Management Committee due to the importance the Board places on risk mitigation. In addition, the small size of the Board makes it appropriate for the full board to manage this area.

Financial Risk

The Board receives regular financial reports which measure performance and trends against budget. The reports are discussed at Board Meetings and the Chief Financial Officer answers questions posed by the Directors. Any variations from budget are highlighted, explained and evaluated. This scrutiny is appropriate to a company of the size of Lifestyle Communities Ltd. In addition to monthly financial reporting, the company has in place policies to manage credit and other business risks. Non-executive Directors meet at appropriate times with the external auditor in order to fulfil the Audit Committee Charter. This Charter may be viewed on the company's website.

Operational Reporting

Projects are approved only after extensive review by a highly qualified technical staff and detailed submissions to the Board through the Chairman. Outside consultants are engaged as required to enhance the chances of success. Environmental considerations are factors in the consideration of every new project and are fully evaluated and reported before approval by the Board.

Insurance

The Board recognises the value of insurance as a risk mitigation strategy and works with a leading insurance broker to ensure that appropriate insurance cover is in place at all times. Contacts with contractors are drawn up or reviewed by solicitors prior to the company entering into any commitment.

Internal Control and Audit



In a small company, an extensive internal control system is not possible, however there is a natural control as a consequence of being small. The Board works very closely with the staff and, because the transactional volume is small, the Directors have a detailed knowledge of the working of the company. It is considered that an internal audit function is therefore not appropriate at this time. The Directors believe the system of internal control is appropriate to the size of the company and to its level of potential risk.

Declaration by the Chairman and Chief Financial Officer

Both the Chairman and Chief Financial Officer sign the following declaration in the presence of the Board prior to the Board accepting the Financial Results each year:

- in accordance with the Corporations Act 2001 section 295A, I declare that to the best of my knowledge and belief;
- the financial records of the disclosing entity for the financial year have been properly maintained in accordance with section 286; and
- the financial statements, and the notes for the financial year comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view; and
- any other matters that are prescribed by the regulations for the purposes of this declaration in relation to the financial statements and the notes for the financial year are also satisfied.

Also in accordance with the ASX Corporate Governance Council Best Practice Recommendations 4.1 and 7.2, to the best of my knowledge and belief, and in my opinion:

i. the financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards; and the statement in (i) above concerning the integrity of financial statements is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the board; and the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Signed by the Chairman and Chief Financial Officer

The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1.

8. Remunerate fairly and responsibly.

The Company has established a Remuneration and Nomination Committee.

The Board is responsible for determining and reviewing the remuneration of the directors, Executive Officers and other employees of the company. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining employees with the skills to manage the Company's operations. The Board reviews the remuneration of



officers and employees of the Company. In order to retain and attract executives of sufficient caliber to facilitate the efficient and effective management of the Company's operations, the Board may seek the advice of external advisers in connection with the structure of remuneration packages.

The Board also reviews the levels and form of remuneration for non executive directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to non executive directors shall not exceed the sum fixed by members of the Company in general meeting.

The Board reviews the composition of the Board on a regular basis to ensure that the Board has the appropriate mix of expertise and experience.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members and Executives. Directors and Executives are remunerated with reference to market rates for comparable positions. Details of the remuneration of specified directors and executives are contained in the Directors report.

Termination payments are not agreed in advance. In the event of a termination, the company complies with all appropriate legal requirements and company policy precludes any payment in the event of removal for misconduct.

No formal evaluation of the performance of the Board is conducted. The Board, being a small active Board is in a position to view its performance on a constant basis. Similarly, key executives are well known to the Board and constant contact with them forms a constant performance review.

END